

STATE OF LOUISIANA
PARISH OF WEBSTER

AGREEMENT # LA08-1-003
CFMS #: N/A

**STATE OF LOUISIANA
MILITARY DEPARTMENT
COMMERCIAL LEASE**

This contract of lease is effective on the 15th day of January, 2008 by and between Explo Systems, Inc., 1600 Java Rd., Minden, LA 71055, by and through its authorized agent, Mr. David Smith or Mr. David Fincher ("LESSEE") and the State of Louisiana, Military Department, Camp Beauregard, LA 70136 ("LESSOR"), through its authorized representative, Lester Schmidt. This lease will become binding on LESSOR only after execution by LESSOR and delivery to LESSEE. Deposit of LESSEE's first rental payment into any account of LESSOR does not constitute acceptance of this lease by LESSOR.

AUTHORITY

By virtue of the provisions of La. R.S. 41:1211 to 1221, inclusive, and pursuant to the terms, conditions and considerations hereinafter set forth, LESSOR does hereby lease and let unto LESSEE, without any warranty of title whatsoever, but with full subrogation of all rights thereto, the following described property owned by the State of Louisiana, and situated in the Parish of Webster, to wit:

PROPERTY

A portion of land located at Camp Minden, Louisiana, being more particularly described on Exhibit "A" attached hereto that includes use of the Chemical Laboratory facilities and equipment as listed in Exhibit C, hereinafter referred to as "the Property."

TERM

This lease is granted for an initial term of five years, commencing on 15 January, 2008 and ending at 12:00 noon on 14 January, 2013. LESSOR may renew and extend the lease in accordance with the provisions of La. R.S. 41:1217.

PURPOSE

It is understood and agreed that this lease is made and executed by LESSOR to LESSEE for the sole purpose of performing chemical analysis of commercial industrial customers and for other related purposes.



RENTAL

1. In consideration of LESSEE remaining in Camp Minden, LESSOR agrees to waive the provision of La. R.S. 41:1217 (A), which requires that rent be paid on a yearly basis, and accept rent on a monthly basis from LESSEE. The rental payment in the sum of Three Thousand, Seven-Hundred Twenty Nine dollars (\$3,729) will be paid monthly, in advance, and is due on the **first** day of each month during the term of the lease.
2. In the event of late payment and at LESSOR's option, LESSEE may be granted up to an additional thirty (30) days to make payment. During this thirty (30) day period, any late rental payments tendered by LESSEE must include an additional late penalty payment equal to 15% of the monthly lease payment for each late month.
3. LESSOR reserves the right, at LESSOR's sole option, to annually adjust the rental to reflect the percentage of increase or decrease in the cost of living index as established by the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics of the U.S. Department of Labor or any revision or equivalent to any such index published by the U.S. Government, which has occurred from date of this instrument to the date of adjustment provided however, that in no event shall consideration of such renewal be less than the consideration paid herein for the original term.

REPAIRS AND IMPROVEMENTS

Lessee shall have the right to make, upon execution of this Lease, at LESSEE's expense, any and all repairs to the Property which, in LESSEE's discretion, are necessary and proper in order that LESSEE may occupy and use the Property for the purposes for which LESSEE entered into this lease agreement. Thereafter LESSEE shall not make any additions, alternations removals or reconstruction of any nature whatsoever to the Property, including improvements, without prior written permission of LESSOR, whose permission shall neither be unreasonably delayed nor denied. Thirty (30) days shall be a reasonable time for the consideration of a request for such permission, and if no response is received within thirty (30) days, approval will be deemed given. Any such improvements shall revert to the ownership of the LESSOR in the event of termination of this lease. LESSEE is required to obtain all permits for such repairs and improvements from local, State and Federal agencies if necessary prior to commencing such work.

CONDITIONS

1. This lease is granted subject to all existing surface leases, mineral leases, servitudes, rights-of-way, permits or any other contracts, whether recorded or unrecorded, affecting the Property.
- ✓ 2. LESSEE shall comply with all federal, state and local rules, regulations and ordinances for sewer, sanitation, fire, safety, transportation, environmental compliance and any other regulated activities.

3. LESSEE agrees to use the Property as a good and careful administrator. This includes maintaining the Property in a neat, clean and orderly manner at all times. No hazardous waste materials shall be placed or stored by LESSEE on or under the Property. No interior or exterior building maintenance or ground maintenance will be provided by LESSOR on the Property. LESSEE is required to maintain the Property, which includes all rights of ingress and egress, in good and safe condition. The grounds contained within the perimeter fence of the Chemical Lab will be maintained by LESSEE in such a condition as to preclude the spread of grass fires. LESSEE will be responsible for all normal and routine maintenance or repair to the Property, as well as, any maintenance or repair to the Property or elsewhere on the installation required due to acts or omissions of LESSEE and its employees, agents, contractors, subcontractors, licensees or invitees. LESSEE may not dig or trench on the property without prior approval by LESSOR. LESSEE must follow standard OSHA requirements for "hot work" when applicable. All electrical modifications and repairs must be performed by a licensed electrician. All work performed on the fire protection systems must be performed by a contractor licensed by the Louisiana State Fire Marshal's office.
4. LESSEE agrees to abide by all of the rules, regulations and orders of the Commander, Camp Minden as published from time to time. These regulations include but are not limited to safety, security, credentialing, ingress and egress, environmental compliance, emergency procedures and the like. To the extent required by law or regulation or as required by the Commander, Camp Minden, the Commander, Camp Minden is the approval authority for any and all safety plans, environmental compliance plans or security plans of the LESSEE. In approving or disapproving such plans, the Commander, Camp Minden is acting in his capacity as an Officer of the State's Organized Military Forces as defined by La.R.S. 29:1, et seq. and is performing a discretionary act as defined by La.R.S. 9:2798.1 and is entitled to indemnification under La.R.S. 29:24.
5. LESSEE agrees to contract with existing utility providers and pay all utilities for its operation on the property. Electricity will be provided to the transformer of primary buildings and metered. Usage will be billed by Camp Minden or the provider, at the direction of LESSOR, at the actual local utility supplier rates. The LESSOR shall use reasonable diligence to provide safe, adequate and continuous service, but shall not be responsible for loss or damage caused by the failure or other defects of service when such failure is unavoidable or due to unforeseen difficulties or causes beyond its control. It is the responsibility of the Lessee to install any electric meters if not presently installed. In the event that LESSEE uses electricity provided by Camp Minden and the electrical distribution system is later sold or conveyed to a local electricity supplier, the Lessee agrees to contract directly with said supplier. Lessor shall provide and maintain a sewage and water system for the Property that is adequate to accommodate Lessee's manufacturing operations. Water and sewage system use shall be charged as set forth in Exhibit A. It is the responsibility of the Lessee to install any water meters if not presently installed.

6. Should an agent or attorney be employed to give special attention to the enforcement or protection of any claim of LESSOR arising from this lease, LESSEE shall pay as fees and compensation to such agent or attorney such sum as will constitute a reasonable fee including all court costs, together with all other costs, charges and expenses or reimbursement for actual costs occasioned by LESSOR, at LESSOR's discretion.

RESERVATIONS

LESSOR reserves the full use and enjoyment of the Property, both surface and subsurface, for any and all purposes except those particular uses granted hereinabove to LESSEE. LESSOR's reservation includes, but is not limited to, the following rights:

1. LESSOR reserves all rights of whatever nature and kind in and to all minerals on or under the Property. These rights include, but are not limited to, all operations which are necessary, useful or convenient for the exploration, exploitation, drilling, mining, production, development, storage and transportation of all oil, gas, sulphur and other minerals, on or under the Property or any other lands under the control of LESSOR.
2. LESSOR reserves all rights of whatever nature and kind in and to all other surface or subsurface uses of the Property. These rights include, but are not limited to, all operations which are necessary, useful or convenient for the exploration, exploitation, mining, production and development of all sand, gravel or shell deposits; issuance of servitudes and rights-of-way; and issuance of permits and leases.
3. LESSOR reserves all rights of whatever nature and kind in and to all timber and forest products on the Property. These rights include, but are not limited to, rights of access, management and/or removal of timber and forest products.

LESSOR may exercise the rights reserved herein without LESSEE's consent, so long as the exercised rights do not interfere with LESSEE's use of the Property. LESSEE hereby expressly agrees and declares that LESSOR shall not be liable to LESSEE for damages from the exercise of any rights reserved herein, provided, however, that said damage is not caused by the gross negligence or intentional act of LESSOR.

ASSIGNMENT/SUBLEASE

This agreement shall be binding upon LESSOR and LESSEE, their respective successors and assigns. This lease may not be assigned, subleased or otherwise transferred in whole or in part without the prior written permission of LESSOR, provided, however, that such consent shall not be necessary in the event of a transfer of the lease resulting from a corporate merger, consolidation or change of name of LESSEE.

HOLD HARMLESS

LESSEE accepts the Property as is and in its present condition, and LESSOR shall not be responsible for damage of any kind to any person or property on the Property, except if such

damage is caused by a third party or by LESSOR's gross negligence or intentional conduct. LESSEE further agrees to indemnify and hold LESSOR harmless against any loss or liability for injury to or death of persons or damage to property of others, including costs and expenses incident thereto, arising from or in connection with LESSEE's use or occupancy of the Property or of any of the rights granted herein. LESSEE will, at LESSOR's request, appear and defend any suit arising from any such loss or liability at its own sole cost and expense and will pay any judgment that may be entered against LESSOR therein when said suit is finally determined. LESSEE agrees to hold LESSOR harmless from any fines levied by governmental authorities for noncompliance of LESSEE's operations with Local, State or Federal laws.

EXPLOSION OR FIRE

In the event that the LESSEE experiences a fire or explosion on the Property which damages all or part of the property, LESSEE shall be responsible for any and all consequential damages suffered by LESSOR or any third party and LESSEE agrees to indemnify and hold LESSOR harmless for any such consequential damages or injury to third parties including, but not limited to, other tenants of LESSOR at Camp Minden, except to the extent caused by LESSOR, or a third party. LESSEE shall furnish and install such safety devices, such as spark arresters, lightning rods, and static electricity suppressors, as are generally installed in facilities in which the business of manufacturing munitions is conducted. Further, LESSEE shall carry sufficient insurance coverage (\$1,000,000), (proof of which is provided upon execution of this lease) which names LESSOR as loss payee, to remove debris and replace damaged/destroyed property.

INSURANCE

In accordance with the Louisiana Office of Risk Management Insurance Requirements in Contracts (June 2004), LESSEE shall procure and maintain for the duration of the lease insurance against claims for injuries to persons or damages to property which may arise from or in connection with the LESSEE's operation and use of the leased premises. The cost of such insurance shall be borne by the LESSEE. LESSOR shall be named as an additional insured.

1. **Minimum Scope of Insurance.** Coverage shall be at least as broad as:
 - a. Insurance Services Office Commercial General Liability coverage "occurrence" form CG 00 01 (current form approved for use in Louisiana). **"Claims Made" form is unacceptable.**
 - b. Workers' Compensation insurance as required by the Labor Code of the State of Louisiana and Employers Liability insurance.
2. **Minimum Limits of Insurance.** LESSEE shall maintain limits no less than:
 - a. Commercial General Liability: LESSEE will provide a blanket insurance of \$1,000,000 Commercial General Liability for bodily injury, personal injury and property damage.

- b. **Workers' Compensation and Employers Liability:** Workers' Compensation limits as required by the Labor Code of the State of Louisiana and Employers Liability coverage.
 - c. **Property Insurance:** Proof of \$2,000,000 property coverage, including explosion and fire.
3. **Deductibles and Self-Insured Retentions.** Any deductibles or self-insured retentions must be declared to and approved by the LESSOR, either 1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the LESSOR, its officers, officials and employees, or 2) the LESSEE shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.
4. **Other Insurance Provisions.** The policies are to contain, or be endorsed to contain, the following provisions:
- a. **General Liability**
 - (1) The LESSOR, its officers, officials, employees and volunteers are to be covered as "additional insureds" as respects: liability arising out of the premises owned, occupied or used by the LESSEE. The coverage shall contain no special limitations on the scope of protection afforded to the LESSOR, its officers, officials, employees or volunteers.
 - (2) Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the LESSOR, its officers, officials, employees or volunteers.
 - (3) Coverage shall state that the LESSEE's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.
 - b. **Workers' Compensation and Employers Liability Coverage.** The insurer shall agree to waive all rights of subrogation against the LESSOR, its officers, officials, employees and volunteers for losses arising from the leased premises.
 - c. **All Coverages.** Each insurance policy required by this clause shall be endorsed to state that coverage shall not be suspended, voided, canceled, reduced in coverage or in limits except after thirty (30) days prior written notice by certified mail, return receipt requested, has been given to the LESSOR.
5. **Acceptability of Insurers.** Insurance is to be placed with insurers with a Best's rating of **A-VI or higher**. This rating requirement may be waived for workers' compensation coverage only.
6. **Verification of Coverage.** LESSEE shall furnish LESSOR with certificates of insurance affecting coverage required by this clause. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. The

certificates are to be received and approved by the LESSOR before the lease commences. The LESSOR reserves the right to require complete, certified copies of all required insurance policies, at any time.

TERMINATION/CANCELLATION

1. Should LESSEE at any time violate any of the conditions of this lease, file for Bankruptcy protection or discontinue the use of the Property, payments or other expenses assumed under this lease, and should LESSEE fail to remedy such matter within thirty (30) days of written notice from LESSOR, LESSOR shall have the option to immediately cancel this lease without putting LESSEE in default, LESSEE to remain responsible for all damages or losses suffered by LESSOR, LESSEE hereby assenting thereto and expressly waiving the legal notices to vacate the Property.
2. Should LESSEE at any time use the Property or portion thereof for any illegal or unlawful purpose, or should LESSEE permit or tolerate the commission of any act made punishable by fine or imprisonment under the laws of the United States or the State of Louisiana, or any ordinance of the Parish, and should LESSEE fail to remedy such matter within thirty (30) days of written notice from LESSOR, the remedies set forth in the preceding paragraph shall be available to LESSOR immediately without necessity of giving any written notice or any other notice to LESSEE.
3. It is understood and agreed that should it be determined that the Property covered by this lease is required for a public purpose by the State, LESSEE shall be so notified by writing and this lease shall be canceled and terminated and the Property surrendered ninety (90) days from the date of receipt of said notice, provided, however, that in the event that LESSOR shall exercise the option to cancel this lease because of any reason other than just cause, then in such event LESSOR and/or the State of Louisiana shall reimburse LESSEE for all costs and expenses incurred by LESSEE in connection with the repair of the Property as is set forth in the paragraph titled REPAIRS AND IMPROVEMENTS, hereinabove. However, the LESSOR will only reimburse the depreciated value of the repairs and improvements at the time of the cancellation of the lease. LESSEE shall not be required to surrender the Property until the reimbursements described above have been paid to LESSEE in full.
4. LESSEE may surrender this lease at any time, either during the original term or any extension of the original term by giving written notice to LESSOR. If LESSEE had previously recorded this lease in the parish conveyance records, then LESSEE shall file a written release in the parish conveyance records and shall provide LESSOR a certified copy thereof. Surrender of this lease shall not affect any obligations provided herein as to the liability of LESSEE to LESSOR, or any obligation of LESSEE to hold LESSOR harmless for, any claim as specifically set forth herein, but such surrender will serve to terminate this LEASE and all other obligations contained herein as of the date of surrender.
5. Upon termination of this lease, LESSEE will *ipso facto* forfeit any right of recourse against LESSOR for return of all or part of the consideration paid.

6. In the event of cancellation or termination for any reason, LESSEE, or its assigns, hereby agree to remove at their sole risk, cost and expense, any or all constructions or obstacles, to include hazardous material and/or hazardous wastes, placed on the Property during the Lease term, or any extension thereof, except for "permanent improvements" to the Property under La. R.S. 41:1217, and which were existing on the property ("Existing Permanent Improvements"). LESSEE further agrees to restore the Property to its original condition, reasonable wear and tear excepted, as improved by such Existing Permanent Improvements within ninety (90) days of lease termination. Should LESSOR undertake the removal of any or all constructions or obstacles and restoration of the property by reason of LESSEE or its assigns failure or refusal to do so, then LESSEE and its assigns expressly consent and agree to reimburse LESSOR for the full costs incurred for such removal and restoration.

Any Permanent Improvements LESSEE adds after the execution of this lease shall not be treated as an Existing Permanent Improvement unless otherwise agreed by both the LESSOR and LESSEE in writing.

7. Should LESSOR allow or permit LESSEE to remain on the Property after the expiration or termination of this lease, this shall not be construed as reconduction of this lease.

EFFECT OF LAW

The parties to this lease understand and agree that the provisions herein shall, between them, have the effect of law, but in reference to matters not provided herein, this lease shall be governed by the laws of the State of Louisiana.

THUS, EFFECTIVE at Webster Parish, Louisiana, in triplicate, on the day aforesaid.

WITNESSES:

Robert F. Gray
Robert F. Gray

STATE OF LOUISIANA
MILITARY DEPARTMENT

By: [Signature]

Its: STATE CONTRACTING OFFICER

BEFORE ME personally appeared the above representative of the State of Louisiana, Military Department, who subscribed this Lease before me this 17th day of January, 2008.

[Signature]
Notary Public

Print Name: JOHN F. PUGH JR.

Notary/Bar Roll #: 10893

WITNESSES:

Marty Liggins
Jonny Burch

EXPLO SYSTEMS, INC.

By: Albert P. Hill
Its: PRESIDENT

BEFORE ME personally appeared the above representative of Explo Systems, Inc., who subscribed this Lease before me this 16th day of January, 2008.

Eddy Bos
Notary Public
Print Name: Eddy Bos
Notary/Bar Roll #: 55228

BEFORE ME personally appeared the above representative of Explo Systems, Inc., who subscribed this Lease before me this 16th day of January, 2008.

EXHIBIT A
Buildings and Structures

1. Area W	Building 2900, 2901, 2902, 2903, 2904, 2905, and 2906	8,167 Sq. Ft.
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EXHIBIT B
TENANT USE FEE

Tenant Use Fee (Ref. 3 B1)

Building Summary:

<u>Area</u>	<u>Buildings</u>	<u>Total Sq. Ft.</u>	<u>Total/Mo.</u>	<u>Total/Yr.</u>
1. Area W	Building 2900, 2901, 2902, 2903, 2904, 2905, and 2906	8,167 Sq. Ft.	\$1,361.17	\$16,334
2. Equipment	See attached list		\$2,368.00	\$28,416
	Total		\$3,729.17	\$44,750

Utilities:

Electricity = \$800/month until meter is installed

Water Rate = \$1.95/1000 gallons

Sewer Rate = \$1.95/1000 gallons (based on metered water usage)